



July 12, 2006

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JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Proposed Municipal Services Review for the City of
Newport Beach (MSR 06-28)

The attached report includes the Municipal Service Review (MSR) and for the City of Newport Beach. LAFCOs are required by statute (Government Code Section 56430) to conduct MSRs as a way to assist agencies and residents by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the next 15 to 20 years.

LAFCOs are also required to complete Sphere of Influence (SOI) reviews in conjunction with Municipal Service Reviews for each city and special district at least once every five years. SOIs identify a city's (or district's) ultimate service boundary within a 15-year time horizon. An SOI is used as a long range planning tool that guides future LAFCO decisions on individual jurisdictional boundary changes, incorporation proposals, district formation, and proposals for consolidation, merger, or formation of subsidiary districts. A comprehensive update to the City of Newport Beach's sphere of influence is scheduled for 2007.

No Significant Issues Identified

No significant issues were identified for the City of Newport Beach. Staff is recommending that the Commission receive and file the MSR report (Attachment 1) and adopt the nine MSR determinations contained therein.

July 12, 2006

RE: City of Newport Beach MSR

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CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

LAFCO is the lead agency under CEQA (California Environmental Quality Act) for the City of Costa Mesa Municipal Service Review. Staff completed an initial study, and it was determined that a project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted or funded does not require the preparation of an EIR. Accordingly, a Draft Negative Declaration (*Attachment 2*) was prepared and noticed in accordance with existing guidelines for implementing CEQA. No comments on the Draft Negative Declaration have been received.

Additionally, staff recommends that the Commission certify that, based upon the Negative Declaration, the Municipal Service Review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code, and direct staff to file a *de minimus* statement with California Wildlife, Fish and Game (*Attachment 3*).

RECOMMENDATIONS

Staff recommends that the Commission:

1. Receive and file the Municipal Service Review Report for the City of Newport Beach (*Attachment 1*).
2. Adopt the Draft Negative Declaration (*Attachment 2*) prepared for the proposed City of Newport Beach Municipal Service Review.
3. Certify the *De Minimus* Impact Finding Statement for the California Wildlife, Fish and Game Department (*Attachment 3*).
4. Adopt the resolution for the City of Newport Beach Municipal Service Review adopting the nine MSR determinations (*Attachment 4*).

Respectfully submitted,

JOYCE CROSTHWAITE

BOB ALDRICH

July 12, 2006

RE: City of Newport Beach MSR

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Attachments:

1. MSR Report
2. Draft Negative Declaration
3. De Minimis Impact Findings
4. LAFCO Resolution



Attachment 1 –

City of Newport Beach Municipal Service Review Report



MSR/SOI Report

City of Newport Beach

July 12, 2006



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EXECUTIVE SUMMARY

The purpose of this report is to provide a comprehensive review of the municipal services provided by the City of Newport Beach. Municipal Service Reviews (MSRs) are required by the Cortese-Knox-Hertzberg Act of 2000 to be completed before (or concurrently with) an agency's sphere of influence update.

The report is organized into five sections:

1. *Executive Summary* – Provides an overview of the report's structure and content.
2. *Introduction* – Explains the statutory requirements related to municipal service and sphere of influence reviews.
3. *History of Newport Beach* – Provides a brief historical overview of the Newport Beach MSR area.
4. *The Nine Determinations* – Examines the City of Newport Beach's structure and service provision as they relate to the nine municipal service review (MSR) determinations required by law.
5. *Service Review Determinations* - Summarizes LAFCO staff's nine MSR determinations based on the analysis of the City of Newport Beach's structure and service provision.

MUNICIPAL REVIEW SUMMARY

No significant issues were noted. The City is projected to have modest growth over the next 15 years (approximately 8,600 new residents), and no significant infrastructure needs or deficiencies were noted. The City's proposed FY 2005-2006 budget is balanced, with estimated revenues for all funds totaling \$175,712,941 and projected expenditures for the same period totaling \$150,852,903. Revenues exceed expenditures by approximately \$25 million. No rate restructuring opportunities were noted. The City uses private contracts wherever possible to reduce costs and increase management efficiencies. The City uses a variety of means to increase local accountability and governance.

Two unincorporated areas remain within the City's sphere of influence: (1) the one-acre Emerson Island property consisting of nine single family homes located along Emerson Street, east of Tustin Avenue, and (2) the 465-acre Banning Ranch property located



north of Pacific Coast Highway and south and west of the Cities of Costa Mesa and Newport Beach. Two government structure options exist for the City:

- (1) Annexation of Banning Ranch and the Emerson Island; and
- (2) Annexation of unincorporated areas not currently within the City's SOI. These may include West Santa Ana Heights, the Santa Ana Country Club and the South Mesa areas.

INTRODUCTION

Pursuant to a 2000 legislative requirement, LAFCO must conduct a comprehensive review of municipal service delivery and update, as necessary, the spheres of influence of agencies under LAFCO's jurisdiction not less than every five years. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCO review municipal services before updating the spheres of influence and to prepare a written statement of determination with respect to each of the following:

- 1) Infrastructure needs or deficiencies;
- 2) Growth and population projections for the affected area;
- 3) Financing constraints and opportunities;
- 4) Cost avoidance opportunities;
- 5) Opportunities for rate restructuring;
- 6) Opportunities for shared facilities;
- 7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
- 8) Evaluation of management efficiencies; and
- 9) Local accountability and governance.

The MSR process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO make "determinations" regarding the provision of public services per Government Code Section 56430. MSRs are not subject to the provisions of the California Environmental Quality Act (CEQA) because they are only feasibility or planning studies for *possible* future action that LAFCO has not approved (Cal. Pub. Res. Code § 21150). The ultimate outcome of conducting a service review, however, may result in LAFCO taking discretionary action on a change of organization or a reorganization.



SPHERE OF INFLUENCE UPDATES

LAFCO is also charged with adopting a sphere of influence for each city and special district within the county. A sphere of influence is a planning boundary that designates the agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine the sphere of influence of each local governmental agency within the county, and to review and update the SOI every five years. In determining the SOI, LAFCO must address the following:

- 1) Present and planned land uses in the area, including agricultural and open-space lands;
- 2) Present and probable need for public facilities and services in the area;
- 3) Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide; and
- 4) Existence of any social or economic communities of interest in the area if LAFCO determines that they are relevant to the agency.

A comprehensive sphere of influence update for the City of Newport Beach will be conducted in 2007.

HISTORY OF NEWPORT BEACH

In 1870, Captain S. S. Dunnells guided a 105-ton river steamer called the "Vaquero" into an unnamed harbor. Dunnells' trip cast new light on the potential of the bay which many had said was too dangerous for travel. The principal landowners in the area – James and Robert McFadden





and James Irvine – envisioned a “new port” and saw the potential for shipping business in the area. For 19 years, beginning in 1875, the Mc Fadden brothers operated a thriving commercial trade and cargo shipping business. However, the bay was not yet a true harbor - sand bars and a treacherous bay entrance caused the McFadden Brothers to move their shipping business to the oceanfront by constructing a large pier (now called Newport Pier) on the sand spit that would later become the Balboa Peninsula.

McFadden Wharf was completed in 1888 and was connected by railroad to Santa Ana in 1891. For the next eight years, the McFadden Wharf area was a booming commercial and shipping center, and a company town began to grow. In 1899, however, the federal



government allocated funds for major improvements to a new harbor at San Pedro which would become Southern California’s major seaport. The McFadden Wharf and railroad was sold to the Southern Pacific Railroad that same year, signaling the end of Newport Bay as a regional commercial shipping center.

In 1902, James McFadden sold his Newport town site and about half of Balboa Peninsula to William S. Collins who saw Newport Bay’s resort and recreational potential. Collins joined Henry E. Huntington as a partner in the Newport Beach Company. Huntington had acquired the Pacific Electric railway system and used it to promote new communities outside of Los Angeles. In 1905, the Pacific Electric “Red Cars” were extended to Newport. Soon the Red Car would bring thousands of summertime visitors from Los Angeles.

In August 1906, residents in the booming bay town voted to incorporate. The vote was 43 – 12 to become the City of Newport Beach. Between 1902 and 1907, many of Newport Beach’s waterfront communities were subdivided, including West Newport, East Newport, Bay Island, Balboa Peninsula and Balboa Island. This established a grid system of small lots and narrow streets and alleys that still exist today in many of these areas. Within a few years, real estate promoters



began sending salesmen up to Pasadena and Los Angeles (both connected by Red Cars) to promote property in and around Newport Harbor. Considerable Newport Beach property was sold in Pasadena, which is why so many longtime Newport Beach residents continue to have family and contacts in the Pasadena area. Throughout the early 1930s, a series of improvements were made to the harbor and harbor entrance which culminated in the 1936 opening of Newport Harbor by President Franklin



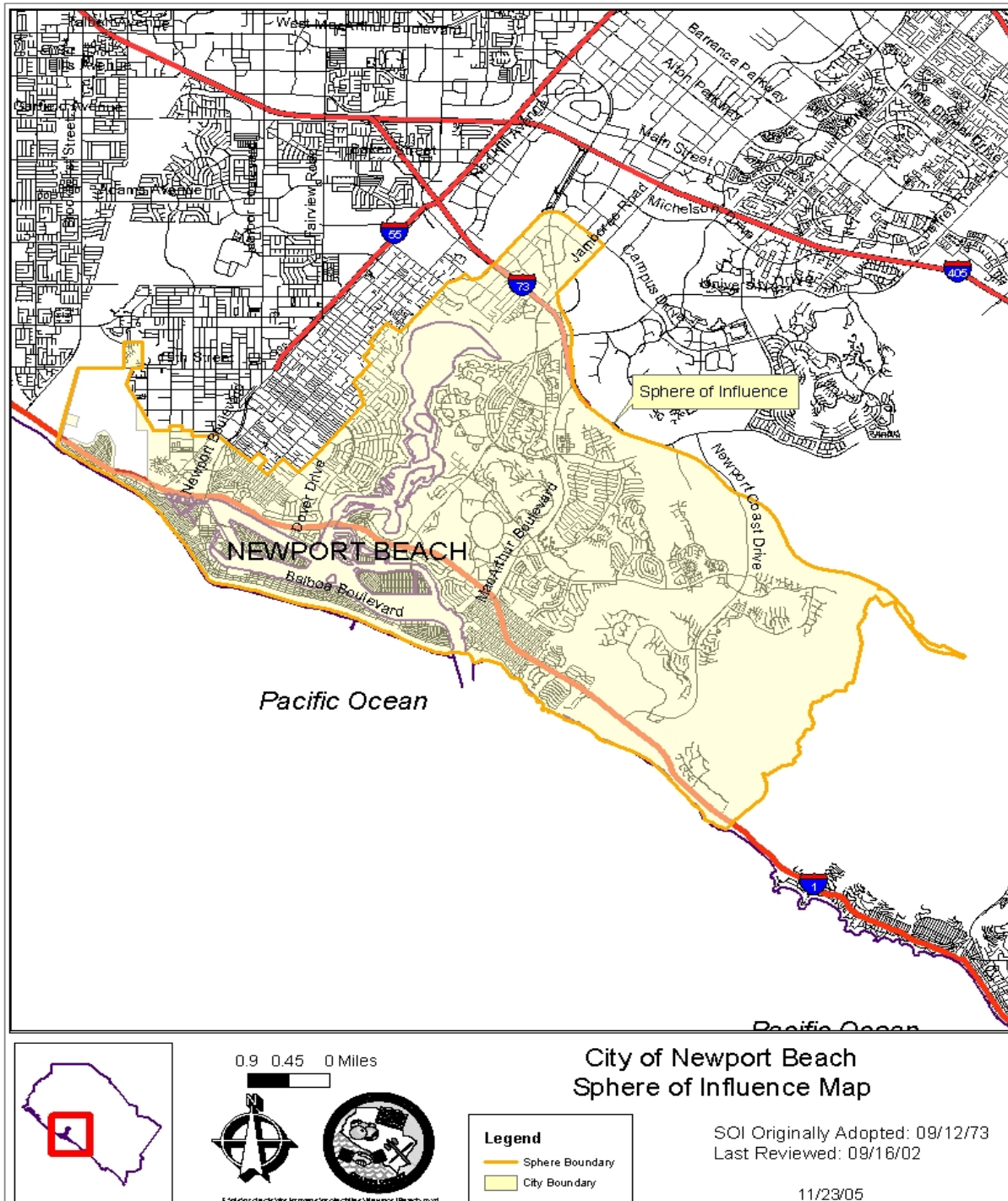
Roosevelt (by telegraph key) from Washington D.C.

The early 1940s, with the beginning of World War II, saw an increased military presence in the region with the opening of the Santa Army Base, the El Toro Marine Base and the Tustin "Lighter-Than-Air" Station used to house blimps on coastal

submarine patrol. Many of the servicemen were attracted to Newport Beach and many returned to permanently settle in the area. Population growth within Newport Beach increased by approximately 65% during 1940 to 1950, and roughly doubled in the post-World War II period between 1950 and 1960. The 1960s through the 1990s continued to see steady increases in housing, population and employment growth within the City. In the last four years, the City annexed the Newport Coast area, East Santa Ana Heights and a portion of the Bay Knolls island, increasing the size of the City by almost 5,694 acres. The year 2006 marks the centennial anniversary of the incorporation of the City of Newport Beach.



Exhibit 1 – City of Newport Beach Sphere of Influence





THE NINE DETERMINATIONS

GROWTH AND POPULATION PROJECTIONS

Countywide Growth Trends

As of January 1, 2005, the official population estimate for Orange County from the California State Department of Finance for Orange County was 3,056,865. This population estimate ranks Orange County as the second most populous county in California and the fifth most populous in the nation. Population growth is expected to reach 3,340,282 people by the year 2020. The most significant factor contributing to Orange County's population growth is natural increase (births minus deaths). In terms of density, Orange County ranks second within California, just behind the County/City of San Francisco. *Table 1- County Population and Density Comparisons*, below, shows Orange County's size in comparison to other nearby counties.

Table 1 - County Population and Density Comparisons

County	Population	Unin- corporated Percentage 2000	Unin- corporated Percentage 2004	Land Area (acres)	<u>Simple</u> Density (persons/ acre)
Alameda	1,466,900	9.3%	9.3%	472,060	3.11
Contra Costa	963,000	19.2%	15.7%	460,740	2.09
Los Angeles	9,716,000	10.5%	10.5%	2,598,980	3.74
Orange	2,978,816	7.7%	3.7%	505,220	5.73
Riverside	1,577,700	26.4%	26.8%	4,612,740	0.34
Sacramento	1,242,000	53.1%	45.7%	618,050	2.01
San Bernardino	1,742,300	17.3%	15.9%	12,833,600	0.14
Santa Clara	1,709,500	6.1%	5.7%	826,050	2.07
San Diego	2,856,300	16.1%	15.6%	2,687,940	1.06



Growth within the City of Newport Beach

Starting out as a small beach town with 445 residents, Newport Beach has grown to a community of approximately 84,273 residents. During summer months, the population significantly increases with 20,000 to 100,000 tourists visiting on a daily basis. Newport Beach's incorporated city limits now encompass approximately 16,584 acres, or just over 25 square miles. The City has diverse mix of residential, institutional, local and regional commercial businesses and centers, harbor and waterfront uses, mixed use development and parks and open space (see Table 2 – *City of Newport Beach Land Use Distribution*).



Table 2 – City of Newport Beach Land Use Distribution

Land Use Distribution	Percent of Land Use
Residential	49.8%
Open Space	35.7%
Commercial	9.6%
Institutional	3.8%
Industrial	0.7%
Unclassified	0.3%

Residential uses represent the largest portion of land uses with the City, characterized by many distinct neighborhoods. A variety of retail uses are located throughout Newport Beach including neighborhood shopping centers, commercial strips and villages and shopping centers. The largest retail center in the City is Fashion Island, a regional attraction that is framed by a mixture of office, entertainment, and residential uses. Much of the City's office space is located in Newport Center and the John Wayne Airport area. Newport Center is an area of both high and low-rise offices surrounding the Fashion Island retail area. The Airport area encompasses the properties abutting and east of John Wayne Airport and is in close proximity to the Irvine Business Complex and University of California, Irvine. This area includes a mix of low, medium,



and high rise office uses as well as research and development and high technology businesses.

Over the next 15 years, the Center for Demographic Research, California State University Fullerton, projects that Newport Beach's population will experience an increase of 8,608 residents for a total of population of 92,881 residents by year 2020. This represents a 10 percent growth in the City's population over the next 15 years. The City currently has an estimated 42,260 housing units and is expected to add an additional 2,014 units by year 2020. Rental rates begin at approximately \$1,350 per month; sales prices for existing homes begin at approximately \$800,000. The highest priced home currently on the market in Newport Beach is located in the Cameo Shores area and has an asking price of \$75 million. Newport Beach currently supplies approximately 72,953 jobs. The City is expected to add an additional 4,656 jobs over the next 15 years. *Table 3 Newport Beach Population, Housing and Employment Projections*, below, summarizes projected City growth between years 2005 and 2020.

Table 3 – City of Newport Beach Population, Housing and Employment Projections

Year	Population	Dwelling Units	Employees
2005	84,273	42,260	72,953
2010	89,258	44,115	75,484
2015	91,409	44,294	76,758
2020	92,881	44,595	77,609

Source: Center of Demographic Research, CSUF

The City's General Plan, adopted in 1988, is currently undergoing a comprehensive citywide update. A draft of the updated General Plan and accompanying Environmental Impact Report (EIR) were released for public review in March 2006. A 38-member General Plan Advisory Committee, along with the Planning Commission and City Council, are spearheading ongoing community discussions on each of the General Plan elements, policies and potential mitigation measures. Final





adoption of the City's new General Plan is expected in the summer or fall of 2006. The draft General Plan proposes to incorporate an integrated framework of growth management, land use, circulation, infrastructure and urban design goals and policies which, when used together, manages growth and development and assists in maintaining and enhancing the City's existing quality of life.

The City's adopted 2005-2006 Capital Improvements Program (CIP) serves as a plan for the provision of public improvements, special projects, and on-going maintenance programs. The 2005-2006 CIP budget totals approximately \$42.8 million and consists of a variety of infrastructure-related improvements to: arterial highways, local streets, storm drains, bay and beach improvements, park and facility improvements, water and wastewater system improvements, and planning programs. The City has adequately planned for future growth and associated infrastructure through its General Plan update process and annual capital improvement program (CIP).

In November 2000, Newport Beach voters approved Measure S ("Protection from Traffic and Density Initiative"), also referred to as the Greenlight Initiative. Greenlight requires voter approval of major developments that exceed entitlements under the City's existing General Plan. Another ballot initiative, "Greenlight II," has qualified for the November 2006 ballot. Greenlight II, if passed by Newport Beach voters, would require voter approval of new projects which are in excess of 100 housing units, create more than 100 peak-hour car trips, or result in more than 40,000 square feet of building space.

No significant issues were noted.

INFRASTRUCTURE NEEDS & DEFICIENCIES

This determination addresses the adequacy of existing and planned infrastructure needed to accommodate future growth and the efficient delivery of public services. The City of Newport Beach was incorporated on September 1, 1906. The current City Charter was adopted in 1954. The City operates under a Council-Manager form of government. The City or other agencies which provide services to Newport Beach residents are described in *Table 4*, below.

Table 4 - City of Newport Beach Service Providers

Service	Current Service Provider
Animal Control	City of Newport Beach
City Attorney	City of Newport Beach



Service	Current Service Provider
Community Development	City of Newport Beach
Fire & Paramedic	City of Newport Beach
Library	City of Newport Beach
Parks & Recreation	City of Newport Beach
Police & Marine Safety	City of Newport Beach
Solid Waste	City of Newport Beach
Water	City of Newport Beach, Irvine Ranch Water District, Mesa Consolidated Water District
Sewer	City of Newport Beach, Irvine Ranch Water District, Costa Mesa Sanitation District

The City's existing General Plan establishes levels of service for municipal services and mandates ongoing review of key public services. This helps to ensure orderly City growth and development and that services and facilities will be provided concurrent with need. To ensure ongoing implementation of adequate public service programs, the City adopts an annual budget, an annual capital improvement program (CIP) and work program to ensure that service levels are maintained or improved and that the CIP is adequately funded. For FY 2005-2006, the CIP budget allocates over \$42 million to enhance existing infrastructure and provide new infrastructure to aid in service delivery to the City of Newport Beach. Key projects funded for FY 2005-2006 include water and sewer master plan improvements, street repair and construction, circulation improvements and beach and marina repairs.

Police and Fire Services

The City of Newport Beach Fire, Police and Marine Safety Departments provide public safety services to City residents, businesses and visitors. The Police Department is divided into four divisions: the Office of the Chief of Police, Patrol/Traffic, Detectives, Support Services, and Fleet Maintenance. The Department consists of three Captains, nine Lieutenants and 148 sworn officers.



An October 2005 survey of 22 police agencies within Orange County, conducted by the *Orange County Register*, indicated that the City has an officer to population ratio of one



officer for every 783 residents. The *Register* survey measured effectiveness of police agencies in eight categories: response time, citizens per officer, homicide clearance, violent crime clearance, property crime clearance, burglary clearance, violent crime rate and property crime rate. When compared to other police agencies, the Newport Beach Police Department offers one of the highest levels of police officer to resident ratios in the County. According to the study, average response time for life-threatening emergencies within Newport Beach averaged 4.56 minutes.

The City of Newport Beach Fire Department provides 24-hour emergency response. The Department focuses on emergency services, fire prevention, disaster preparedness and training and education. The Fire Department maintains a single Operations Division which includes fire, emergency medical service and lifeguard responders. Fire emergency responders are strategically located in eight fire stations throughout the City ensuring they can respond rapidly to emergency situations. Construction of a new fire station in Santa Ana Heights will include a firefighter training facility and community training classroom.

The Fire Department also leads community outreach and volunteer programs, including the highly regarded Junior Lifeguard and Fire Medics Programs. The Junior Lifeguard Program, initiated in 1983, continues to draw about 700 participants per year. The program provides training in water safety practices and rescue techniques and is the primary source for identifying future City lifeguards. Fire Medics is



a voluntary program that protects residents from the unexpected costs of paramedic services and emergency ambulance transportation. Newport Beach residents who chose to participate pay a \$49 annual subscription fee.

Parks & Recreation

The Newport Beach Recreation and Senior Services Department is responsible for the development and operation of public parks in the City of Newport Beach. These encompass parks, greenbelts, beaches and public docks, as well as joint use of public school grounds. The City collects fees and/or requires dedication of land for parks in accordance with the Quimby Act, based on a standard of five acres of park for each 1,000 residents.



Currently, there are approximately 286.4 acres of parks and 90.4 acres of active beach recreation within Newport Beach - a combined total of 376.8 acres. In June 2005, it was estimated that a total of 415.6 acres of parkland is needed with the City to accommodate the City's current population of 83,120 residents (utilizing the city standard of 5 acres per 1,000 persons). This represents a total deficit of 38.8 acres of combined park and beach acreage citywide. Three planned parks in West Newport, Newport Center, and Newport Coast, if built, will help alleviate the citywide park deficit.

Water and Sewer

Water service to the City of Newport Beach is provided by the City, Irvine Ranch Water District (IRWD), and Mesa Consolidated Water District. The City serves much of the urbanized areas of the City, with IRWD providing service to Newport Coast/Newport Ridge, a portion of the Airport area, the Upper Bay, and a number of other small pockets. Mesa provides service to a portion of Newport Mesa and a small area north of Banning Ranch. About 75 percent of the City's water is through groundwater sources; the remaining 25 percent is purchased from the Metropolitan Water District through the Orange County Water District.

Each water agency maintains master plans for services, facilities, maintenance, and improvements necessary to support existing and projected population growth and development. These include the City's Urban Water Management Plan, Irvine's Water Resources Management Plan, and Mesa's Water Master Plan. Conservation practices and requirements to meet regional, state and federal water quality regulations are included within the respective plans. Each agency maintains a capital improvements program for the provision of water system improvements, special projects and ongoing maintenance. Water demands are monitored and periodically the plans are update to account for any service issues and regulatory changes.



Sewer service in the City of Newport Beach is provided by the City, Irvine Ranch Water District, and Costa Mesa Sanitation District. The City serves much of the urbanized areas of the City, with the IRWD providing service to Newport Coast/Newport Ridge,



Bonita Canyon, the Upper Bay and a number of other small pockets. The CMSD provides service to a number of pockets on the City's western boundary. Wastewater from these service areas is collected, treated, and disposed by the Orange County Sanitation District. The two treatment plants serving the region are operating at 52 to 55 percent of their design capacity and can accommodate additional growth.

No significant issues regarding infrastructure needs and deficiencies were noted.

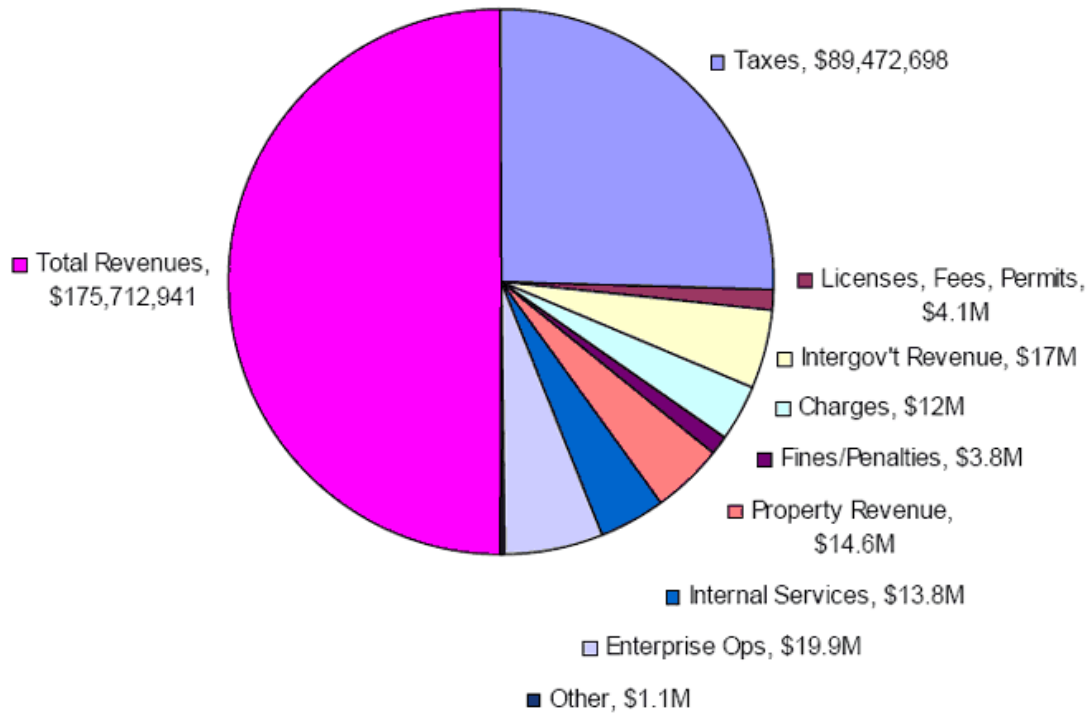
FINANCING CONSTRAINTS & OPPORTUNITIES

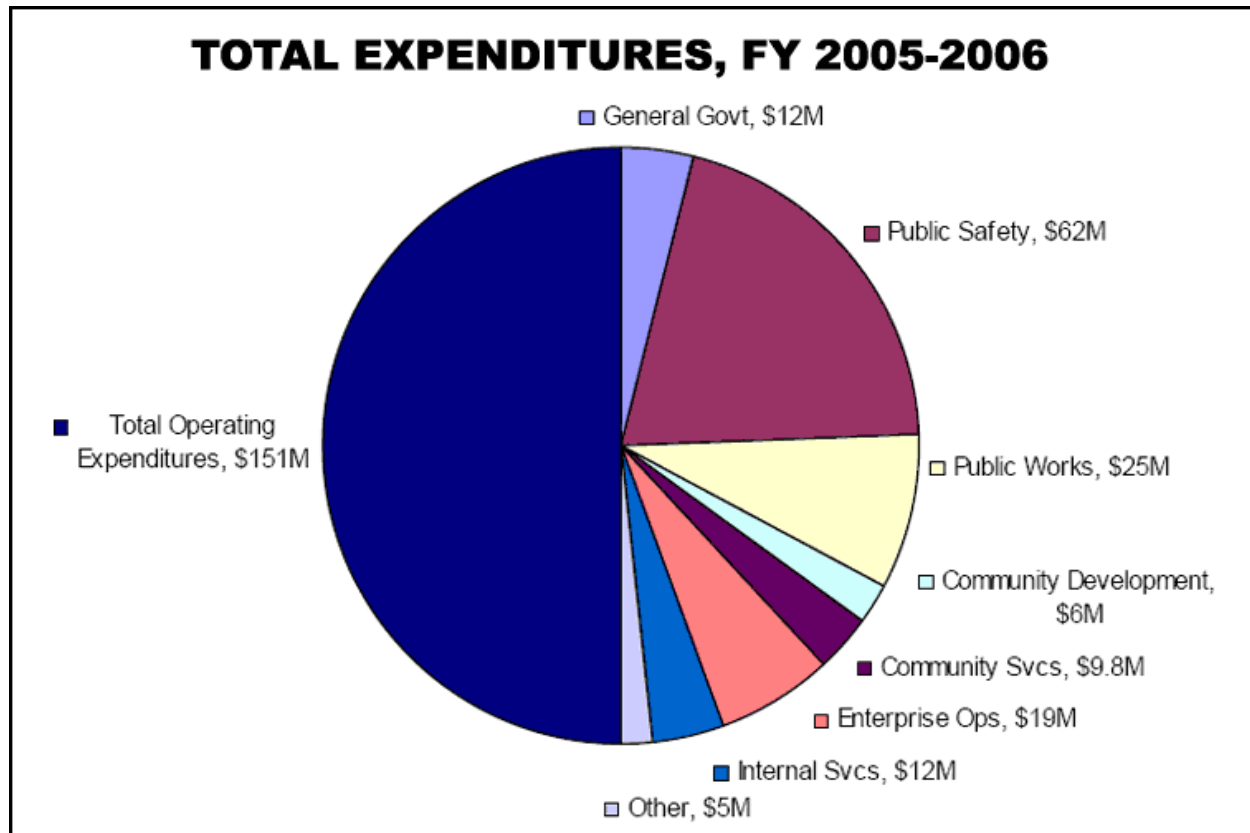
The City of Newport Beach uses an annual budget process, with the most recent budget adopted for the FY 2005-2006 period. The budget is prepared on a modified accrual basis with all appropriations lapsing at the close of the fiscal year.

The City of Newport Beach, like most cities in Orange County and throughout California, faces financing uncertainties due to the changes in the funding structure for cities. The State budget instituted a number of changes in how local revenues are allocated to help the state address the ongoing budget crisis. The four primary local tax revenue funds involved are sales and use taxes, Vehicle License Fees (VLF), property taxes, and Educational Revenue Augmentation Funds (ERAF). The largest impact on the City came from reductions in property tax revenues in FYs 2004-2005 and 2005-2006.



TOTAL REVENUES, FY 2005-2006





The City's proposed FY 2005-2006 budget is balanced, with estimated revenues for all funds totaling \$175,712,941 and projected expenditures for the same period totaling \$150,852,903. Revenues exceed expenditures by approximately \$25 million.

No significant issues were noted.

COST AVOIDANCE OPPORTUNITIES/OPPORTUNITIES FOR SHARED FACILITIES

The City of Newport Beach contracts for various services including custodial services, storm drain cleaning, alley sweeping, and recreation program instruction. Core services, including police, fire, lifeguards, and libraries, continue to be provided by City staff.

No significant issues were noted.



OPPORTUNITIES FOR RATE RESTRUCTURING

The City Council reviews its budget annually and establishes fees and charges for services to ensure that revenues are adequate to meet expected expenses. Fees charged by some service providers are beyond the purview of the City of Newport Beach; however, the City works closely with service providers to ensure the most efficient and cost effective services.

No significant issues were noted.

GOVERNMENT STRUCTURE OPTIONS

In the last four years, the City has annexed approximately 5,694 acres of territory. These annexations included: (1) the Newport Coast annexation comprising 5,441 acres located south of the San Joaquin Hills Corridor, northwest of Crystal Cove State Park and southeast of the existing City limits; (2) the East Santa Ana Heights annexation consisting of approximately 200 acres located north of Mesa Drive and southeast of John Wayne Airport; and, (3) the Bay Knolls reorganization, located west of Irvine/Tustin Avenues and south of Isabel Avenue, which added about 53 acres to the City.

Two unincorporated areas remain within the City's sphere of influence: (1) the one-acre Emerson Island property consisting of nine single family homes located along Emerson Street, east of Tustin Avenue, and (2) the 465-acre Banning Ranch property located north of Pacific Coast Highway and south and west of the Cities of Costa Mesa and Newport Beach. The City is in the process of preparing an annexation application for the Emerson Street property. Two government structure options exist for the City:

- (1) Annex Banning Ranch – the City of Newport Beach surrounds the Banning Ranch property on the north and west by a one-foot strip of City territory that was annexed to the City in 1950. Potential access and municipal services to the site could be provided through either the City of Newport Beach or the City of Costa Mesa.
- (2) Annex unincorporated islands not currently within the City's SOI. These may include West Santa Ana Heights, the Santa Ana Country Club and the South Mesa areas. All three areas are currently within the City of Costa Mesa sphere of influence. In 2002, LAFCO approved the annexation of the Santa Ana Country Club and the South Mesa area to the City of Costa Mesa. Both were subsequently terminated through registered voter protest.



LOCAL ACCOUNTABILITY & GOVERNANCE

No significant issues regarding local accountability and governance were noted. The City of Newport Beach has seven (7) council members, each residing in distinct geographical districts, elected at-large, for four year, staggered terms. The city council selects the Mayor and Mayor Pro Tem annually to serve one-year terms. The council members also serve on special committees that review specific issues and make recommendations to the full city council.

The city council meets on the first and third Tuesday of each month at 7:00 p.m. All council meetings are televised live through the city's local cable television outlet. Reruns of the council meetings are available on line through the City's website: www.city.newport-beach.ca.us. The City maintains a website to increase local accountability. Table 5, below, lists the current city council members and their terms of office.

Table 5 - Newport Beach City Council Members

City of Newport Beach Council Members	Title	Term Expires	Monthly Stipend*
Don Webb	Mayor	2006	\$1392.94
Steven Rosansky	Mayor Pro Tem	2008	\$981.82
Todd Ridgeway	Council Member	2006	\$981.82
Edward Selich	Council Member	2008	\$981.82
Keith Curry	Council Member	2008	\$981.82
Richard Nichols	Council Member	2006	\$981.82
Leslie Daigle	Council Member	2006	\$981.82

*Council members are also eligible to receive certain life insurance, medical and retirement benefits.



SERVICE REVIEW DETERMINATIONS

1) Growth & Population Projections

The City is projected to experience an increase of approximately 8,600 residents by the year 2020.

2) Infrastructure Needs & Deficiencies

The future growth projected for the City, while modest, will increase the demand for additional municipal level services. The City of Newport Beach reviews infrastructure needs annually through its budget and capital improvement program to ensure that those city services will match projected growth. The City prides itself on providing a high level of municipal services for its residents.

3) Financing Opportunities & Constraints

The impact of the local revenues shift to the State from the City of Newport, like all cities in Orange County and California, will result in reductions in City revenues. The City uses an annual budget process prepared on a modified accrual basis with all appropriations lapsing at the close of the fiscal year. The City's proposed FY 2005-2006 budget is balanced. Revenues are projected to exceed expenditures by \$25 million.

4) Opportunities for Rate Restructuring

No issues regarding rate restructuring currently apply.

5) Government Structure Options

Two unincorporated areas remain within the City's sphere of influence: (1) the one-acre Emerson Island property located along Emerson Street, east of Tustin Avenue, and (2) the 465-acre Banning Ranch property located north of Pacific Coast Highway and south and west of the Cities of Costa Mesa and Newport Beach. The City is preparing an annexation application for the Emerson Island. In addition to the annexation of the Emerson Island two government structure options exist for the City: (1) annexation of Banning Ranch, and (2) annexation of unincorporated areas not currently within the City's SOI. These may include West Santa Ana Heights, the Santa Ana Country Club and the South Mesa areas.



6) **Local Accountability & Governance**

The City of Newport Beach provides a strong resident outreach effort to its residents through its website, televised City Council meetings and community involvement in development of a comprehensive General Plan update.

7) **Opportunities for Cost Avoidance**

No significant issues were noted.

8) **Opportunities for Management Efficiencies**

No significant issues were noted.

9) **Opportunities for Shared Facilities**

No significant issues were noted.



Attachment 2 – Draft Negative Declaration

ATTACHMENT 2

ENVIRONMENTAL CHECKLIST FORM

- 1) Project Title: City of Newport Beach Municipal Services Review
(MSR 06-28)
- 2) Lead Agency Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
- 3) Contact Person and Phone Number: Bob Aldrich, Assistant Executive Officer, (714) 834-2556
- 4) Project Location: The City of Newport Beach comprises approximately 16,584 acres (25 square miles) and is located in coastal Orange County. The City is bordered to the west by the City of Costa Mesa, to the north and east by the City of Irvine, and to the south by the Pacific Ocean.
- 5) Project Sponsor's Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
- 6) General Plan Designation: Residential, Industrial, Commercial and Open Space
- 7) Zoning: Residential, Industrial, Commercial and Open Space
- 8) Description of Project: Pursuant to Government Code Section 56430, LAFCO is required by law to conduct Municipal Service Reviews (MSRs) for all cities and special districts located within Orange County. MSRs are a new mandate from the state legislature which requires LAFCO to prepare special studies on future growth and evaluate how local agencies are planning for growth through their municipal service and infrastructure systems.

Pursuant to California Code of Regulations, Title 14, Section 15074, the Commission will review and consider the adoption of a negative declaration relating to the preparation of the Municipal Service Review study for the City of Newport Beach. The negative declaration confirms the findings of the associated initial study that the proposed project (MSR 06-28) will not have a significant effect on the environment.

LAFCO staff is recommending that the Commission: (1) receive and file the City of Newport Beach MSR report, and (2) adopt nine written statements of its determination regarding the following factors: infrastructure needs or deficiencies; growth and population projections; financing constraints and opportunities; cost avoidance opportunities; opportunities for rate restructuring; opportunities for shared facilities; government structure options; management efficiencies; and, local accountability and governance.

9. Surrounding Land Uses and Setting: The City and surrounding areas are largely urbanized. About 50 percent of the City of Newport Beach is developed with residential uses, 36 percent is open space, 10 percent is commercial and 4 percent is institutional uses.
10. Other public agencies whose approval is required (e.g., permits, financing approval, or participation agreement):
None

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

- | | | |
|---------------------------------|--------------------------------------|----------------------------|
| ~ Aesthetics | ~ Agriculture Resources | ~ Air Quality |
| ~ Biological Resources | ~ Cultural Resources | ~ Geology / Soils |
| ~ Hazards & Hazardous Materials | ~ Hydrology / Water Quality | ~ Land Use / Planning |
| ~ Mineral Resources | ~ Noise | ~ Population / Housing |
| ~ Public Services | ~ Recreation | ~ Transportation / Traffic |
| ~ Utilities / Service Systems | ~ Mandatory Findings of Significance | |

DETERMINATION (To be completed by the Lead Agency):

On the basis of this initial evaluation:

- ✓ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- ~ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- ~ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- ~ I find that the proposed project MAY have a “potentially significant or “potentially significant unless mitigated” impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- ~ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Signature

Joyce Crosthwaite, Executive Officer

Printed Name

July 12, 2006

Date

Orange County LAFCO

For

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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I. AESTHETICS. Would the project:

- | | |
|--|---|
| a) Have a substantial adverse effect on a scenic vista? | X |
| b) Substantially damage scenic resources, including, but not limited to, tress, rock outcroppings, and historic buildings within a state scenic highway? | X |
| c) Substantially degrade the existing visual character or quality of the site and its surroundings? | X |
| d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area? | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the aesthetics of the project area. This includes not adversely affecting scenic vistas, damaging scenic resources, degrading visual character, or creating new sources of light.

II. AGRICULTURE RESOURCES. In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. Would the project:

- | | |
|--|---|
| a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use? | X |
| b) Conflict with existing zoning for agricultural use, or a Williamson Act contract? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?

X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not cause any specific new developments to be undertaken and will not result in any significant direct or cumulative impacts on the agricultural resources of the project area.

III. AIR QUALITY. Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:

X

- a) Conflict with or obstruct implementation of the applicable air quality plan?
- b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?
- c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is nonattainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?
- d) Expose sensitive receptors to substantial pollutant concentrations?
- e) Create objectionable odors affecting a substantial number of people?

X

X

X

X

X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not cause any specific new developments to be undertaken and will not result in any significant direct or cumulative impacts on the agricultural resources of the project area.

IV. BIOLOGICAL RESOURCES. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|--|--|--|---|
| a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service? | | | X |
| b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service? | | | X |
| c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means? | | | X |
| d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites? | | | X |
| e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance? | | | X |
| f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan? | | | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any specific new developments to be built. The project will not result in any significant direct or cumulative impacts on the biological resources of the project area and this includes adversely affecting endangered, threatened, or rare species and their habitat.

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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V. CULTURAL RESOURCES. Would the project:

- | | |
|--|---|
| a) Cause a substantial adverse change in the significance of a historical resource as defined in § 15064.5? | X |
| b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to § 15064.5? | X |
| c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature? | X |
| d) Disturb any human remains, including those interred outside of formal cemeteries? | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the cultural resources of the project area.

VI. GEOLOGY AND SOILS -- Would the project:

- | | |
|--|---|
| a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury or death involving: | X |
| i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42. | X |
| ii) Strong seismic ground shaking? | X |
| iii) Seismic-related ground failure, including liquefaction? | X |
| iv) Landslides? | X |
| b) Result in substantial soil erosion or the loss of topsoil? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- | | |
|--|---|
| c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse? | X |
| d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property? | X |
| e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water? | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the geology or soils of the project area including contributing to soil erosion or exposing individuals or structures to loss, such as injury or death, resulting from earthquakes or landslides.

VII. HAZARDS AND HAZARDOUS MATERIALS.

Would the project:

- | | |
|--|---|
| a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials? | X |
| b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment? | X |
| c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school? | X |
| d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code section 65962.5 and, as a result, would it create a significant hazard to the public or the environment? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|--|---|
| e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area? | X |
| f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area? | X |
| g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan? | X |
| h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands? | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts with respect to creating hazards or hazardous materials within the project area.

VIII. HYDROLOGY AND WATER QUALITY. Would the project:

- | | |
|---|---|
| a) Violate any water quality standards or waste discharge requirements? | X |
| b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)? | X |
| c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|---|--|--|---|
| d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site? | | | X |
| e) Create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff? | | | X |
| f) Otherwise substantially degrade water quality? | | | X |
| g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map? | | | X |
| h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows? | | | X |
| i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam? | | | X |
| j) Inundation by seiche, tsunami, or mudflow? | | | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in a depletion of groundwater supplies, alteration of existing drainage patterns, creation of runoff water, exposure of people to a significant risk of flooding nor will it result in a net deficit in aquifer volume.

IX. LAND USE AND PLANNING. Would the project:

- | | | | |
|---|--|--|---|
| a) Physically divide an established community? | | | X |
| b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect? | | | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- c) Conflict with any applicable habitat conservation plan or natural community conservation plan?

X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any specific new developments to be built. Updating the agency's sphere of influence will not result in any significant direct or cumulative impacts with respect to land use planning within the project area.

X.MINERAL RESOURCES. Would the project:

- a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?
- b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?

X

X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the mineral resources of the project area. This includes not incurring the loss of known valuable resources.

XI. NOISE. Would the project result in:

- a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?
- b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?
- c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?
- d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?

X

X

X

X

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?
- f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?

X

X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on noise levels within the project area. This includes not exposing individuals to excess ground borne vibrations or substantially increasing ambient noises, whether temporary, periodical, or permanent.

XII. POPULATION AND HOUSING. Would the project:

- a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of road or other infrastructure)?
- b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?
- b) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?

X

X

X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any substantial population growth or displacement of housing or people.

XIII. PUBLIC SERVICES. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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a) Result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:				X
Fire protection?				X
Police protection?				X
Schools?				X
Parks?				X
Other public facilities?				X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any impacts on government facilities providing fire, police, schools, parks or other public services.

XIV. RECREATION. Would the project:

a) Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?				X
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which have an adverse physical effect on the environment?				X

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not have any impact on government facilities providing fire, police, schools, parks or other public services.

XV. TRANSPORTATION / TRAFFIC. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|--|--|--|---|
| a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)? | | | X |
| b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways? | | | X |
| c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks? | | | X |
| d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)? | | | X |
| e) Result in inadequate emergency access? | | | X |
| f) Result in inadequate parking capacity? | | | X |
| g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)? | | | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct impact or cumulative impacts relating to transportation or circulation within the project area. This includes not causing an increase in street or air traffic patterns, creating inadequate emergency access or parking capacity, or conflicting with adopted transportation policies.

XVI. UTILITIES AND SERVICE SYSTEMS. Would the project:

- | | | | |
|---|--|--|---|
| a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board? | | | X |
|---|--|--|---|

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|---|--|--|---|
| b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects? | | | X |
| c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects? | | | X |
| d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed? | | | X |
| e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments? | | | X |
| f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs? | | | X |
| g) Comply with federal, state, and local statutes and regulations related to solid waste? | | | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in the construction of new, or expansion of existing, water, wastewater and storm water drainage facilities.

XVII. MANDATORY FINDINGS OF SIGNIFICANCE

- | | | | |
|--|--|--|---|
| a) Does the project have the potential to substantially degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of an endangered, rare or threatened species; or eliminate important examples of the major periods of California history or prehistory? | | | X |
|--|--|--|---|

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|---|--|--|---|
| b) Does the project have the potential to achieve short-term environmental goals to the disadvantage of long-term environmental goals? | | | X |
| c) Does the project have impacts that are individually limited, but cumulatively considerable? (“Cumulatively considerable” means that the incremental effects of a project are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.) | | | X |
| d) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly? | | | X |

DISCUSSION: The Municipal Services Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts relating to mandatory finding of significance within the project area. This includes not degrading the quality of the environment or causing substantial adverse effects on individuals, whether directly or indirectly.



Attachment 3 – De Minimus Impact Findings

ATTACHMENT 3

CERTIFICATE OF FEE EXEMPTION

De Minimus Impact Finding

Project Title/Location (include county): City of Newport Beach Municipal Service Review (MSR 06-28)

Name and Address of Project Applicant:

Orange County Local Agency Formation Commission (LAFCO)
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

Project Description: Pursuant to California Code of Regulations, Title 14, Section 15074, the Commission will review and consider the adoption of a negative declaration relating to the City of Costa Mesa Municipal Service Review. In accordance with Government Code Sections 56425 and 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. The negative declaration confirms the findings of the associated initial study that the proposed project (the Municipal Services Review for the City of Newport Beach) will not have a significant effect on the environment.

Findings of Exemption:

1. An Initial Study and Negative Declaration have been prepared by LAFCO to evaluate the project's effects on wildlife resources, if any.
2. The Lead Agency hereby finds that there is no evidence before LAFCO that the project will have any potential for adverse effect on the environment.
3. The project will not result in any changes to the following resources:
 - (A) Riparian land, rivers, streams, watercourses and wetlands;
 - (B) Native and non-native plant life and the soil required to sustain habitat for fish and wildlife;
 - (C) Rare and unique plant life and ecological communities dependant on plant life;
 - (D) Listed threatened and endangered plants and animals and the habitat in which they are believed to reside;
 - (E) All species listed as protected or identified for special management in the Fish and Game Code, the Public Resources Code, the Water Code or regulations adopted thereunder;
 - (F) All marine and terrestrial species subject to the jurisdiction of the Department of Fish and Game and the ecological communities in which they reside; and
 - (G) All air and water resources, the degradation of which will individually or cumulatively result in a loss of biological diversity among the plants and animals residing in that air and water.

CERTIFICATION:

I hereby certify that LAFCO has made the above finding(s) of fact and based upon the Initial Study, the Negative Declaration and the hearing record, the project will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

Lead Agency Representative: Joyce Crosthwaite

Title: Executive Officer

Date: July 12, 2006



Attachment 4 – LAFCO Resolution (DRAFT)

ATTACHMENT 4

MSR 06-28

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY, CALIFORNIA MAKING DETERMINATIONS AND APPROVING THE MUNICIPAL SERVICE REVIEW FOR THE CITY OF NEWPORT BEACH

July 12, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review for the City of Newport Beach (MSR 06-28), and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the municipal service review for the City of Newport Beach (MSR 06-28) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the city; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set July 12, 2006 as the hearing date on this municipal service review proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of a municipal service review for the City of Newport Beach; and

WHEREAS, this Commission called for and held a public hearing on the proposal on July 12, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act (CEQA), LAFCO, as lead agency under CEQA for municipal service reviews, determined that the municipal service review for Newport Beach (MSR 06-26) will not have a significant effect on the environment and has prepared a Negative Declaration.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) LAFCO, as lead agency, has determined that the municipal service review for the City of Newport Beach (MSR 06-28) will not have a significant effect on the environment as defined by State CEQA Guidelines. The Commission has therefore adopted a Negative Declaration for the City of Newport Beach municipal service review.
- b) The municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.
- c) The Commission directs the Executive Officer to file a *de minimus* statement with California Wildlife, Fish and Game.

Section 2. Determinations

- a) The Commission accepts the report for the municipal service review for the City of Newport Beach (MSR 06-28) as presented to the Commission on July 12, 2006.
- b) The Executive Officer's staff report and recommendation for approval of the municipal service review for the City of Newport Beach, dated July 12, 2006, are hereby adopted.
- b) The Commission has adopted the accompanying Statement of Determinations for the City of Newport Beach, shown as "Exhibit A."

Section 3. This review is assigned the following distinctive short-form designation: "Municipal Service Review for the City of Newport Beach" (MSR 06-28).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.

COUNTY OF ORANGE)

I, ROBERT BOUER, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 12th day of July, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of July, 2006.

ROBERT BOUER
Chair of the Orange County
Local Agency Formation Commission

By: _____
Robert Bouer

EXHIBIT A

THE NINE MSR DETERMINATIONS – City of Newport Beach

1) Growth & Population Projections

The City is projected to experience an increase of approximately 8,600 residents by the year 2020.

2) Infrastructure Needs & Deficiencies

The future growth projected for the City, while modest, will increase the demand for additional municipal level services. The City of Newport Beach reviews infrastructure needs annually through its budget and capital improvement program to ensure that those city services will match projected growth. The City prides itself on providing a high level of municipal services for its residents.

3) Financing Opportunities & Constraints

The impact of the local revenues shift to the State from the City of Newport, like all cities in Orange County and California, will result in reductions in City revenues. The City uses an annual budget process prepared on a modified accrual basis with all appropriations lapsing at the close of the fiscal year. The City's proposed FY 2005-2006 budget is balanced. Revenues are projected to exceed expenditures by \$25 million.

4) Opportunities for Rate Restructuring

No issues regarding rate restructuring currently apply.

5) Government Structure Options

Two unincorporated areas remain within the City's sphere of influence: (1) the one-acre Emerson Island property located along Emerson Street, east of Tustin Avenue, and (2) the 465-acre Banning Ranch property located north of Pacific Coast Highway and south and west of the Cities of Costa Mesa and Newport Beach. The City is preparing an annexation application for the Emerson Island. In addition to the annexation of the Emerson Island two government structure options exist for the City: (1) annexation of Banning Ranch, and (2) annexation of unincorporated areas not currently within the City's SOI. These may include West Santa Ana Heights, the Santa Ana Country Club and the South Mesa areas.

6) Local Accountability & Governance

The City of Newport Beach provides a strong resident outreach effort to its residents through its website, televised City Council meetings and community involvement in development of a comprehensive General Plan update.

7) Opportunities for Cost Avoidance

No significant issues were noted.

8) Opportunities for Management Efficiencies

No significant issues were noted.

9) Opportunities for Shared Facilities

No significant issues were noted.